

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2005-2014
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Contributions to the Deficit Since 2001

Contributions to the deficit from Non-Security Discretionary Spending

Estimate of NSD under 2001 baseline	312	335	353	363	371	380	389	397	407	416	427	439	450	462	4,139
Estimate of NSD under 2004 baseline	<u>311</u>	<u>345</u>	<u>370</u>	<u>388</u>	<u>399</u>	<u>405</u>	<u>413</u>	<u>421</u>	<u>431</u>	<u>440</u>	<u>449</u>	<u>460</u>	<u>470</u>	<u>481</u>	<u>4,370</u>
Increased NSD spending (difference between the two baselines)	-2	10	17	25	28	26	25	24	23	23	22	21	20	19	231
plus associated increase in interest	0	0	1	2	3	5	6	8	10	12	14	15	17	19	109
Total increase in the deficit from higher NSD spending	-2	10	18	27	31	30	31	32	33	35	35	37	37	38	341

Contributions to the deficit from Defense, International, and Homeland Security Spending

Estimate under 2001 baseline	334	347	357	367	379	386	393	407	417	429	439	449	459	470	4,228
Estimate under 2004 baseline	<u>338</u>	<u>390</u>	<u>456</u>	<u>509</u>	<u>537</u>	<u>550</u>	<u>559</u>	<u>577</u>	<u>590</u>	<u>605</u>	<u>625</u>	<u>631</u>	<u>652</u>	<u>668</u>	<u>5,994</u>
Increased def., int'l., and HS spending (difference between the two baselines)	5	43	99	142	158	163	166	170	173	177	187	182	192	198	1,766
plus associated increase in interest	0	1	3	9	17	27	38	50	62	75	88	103	118	135	712
Total increase in the deficit from higher def., int'l., and HS spending	5	43	102	151	175	190	204	219	235	251	275	285	310	333	2,478

Contributions to the Deficit from Bush Tax Cuts

Revenue loss from 2001, 2002, and 2003 tax cuts, if extended, and AMT reform	41	113	176	269	263	268	282	292	305	330	397	374	396	428	3,335
plus associated increase in interest	0	3	9	20	34	50	70	90	111	134	160	188	217	250	1,304
Total increase in the deficit from Bush Tax Cuts	41	116	185	289	297	319	352	382	416	464	557	562	614	678	4,639

Note: Cost of 2001-2003 tax cuts, if extended. Assumes AMT reform, as presented in CBO's January report, table 1-3, which assumes that the AMT exemption and brackets are indexed from their 2004 levels.

How we arrived at these numbers

- For total discretionary, defense, NDD, international, and domestic outlay baselines, we used the CBO baselines from 2001 and 2004
- We needed to construct our own estimates of a 2001 baseline for domestic homeland security. To do so, we used the CAP estimates of homeland security budget authority in 2001, which include only pre-9/11 funding, and inflated it according to CBO's January 2001 projections of the CPI.
- These calculations gave us estimates of homeland security budget authority. However, it is outlays, not budget authority, that contributes to the deficit. To estimate an outlay baseline, we assume that 35% of BA is spent in the first year, 35% in 2nd, 12% in 3rd, 10% in the 4th and 8% in the 5th. These spendout rates were chosen to roughly track published outlay numbers. Our conclusions do not appear sensitive to this assumption.
- For the 2004 baseline, in years 2004 and beyond we simply adopt CBO's homeland security outlay baseline as presented in table 3-4 of the January 2004 Economic and Budget Outlook. (We make a trivial adjustment to account for the relatively tiny amount of international nondefense homeland security spending.)
- The NSD outlay baseline comes from subtracting our estimated homeland security baseline from CBO's domestic discretionary baseline.
- Revenue costs from tax cuts are from CBO and JCT estimates

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2005-2014</u>
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Underlying calculations

I. 2001 Baseline

A. Actual CBO 2001 baseline level of discretionary outlays

Total Discretionary Outlays	617	646	682	710	730	750	766	782	804	824	845	866									
Defense	295	301	314	323	332	344	350	356	369	379	388	399									
NDD	322	345	368	387	398	407	416	426	435	446	456	468									
International	23	22	23	24	24	24	24	25	25	26	26	27									

B. Construct Estimate Homeland Security Component to January '01 Baseline

Actual domestic homeland security funding (CAP estimates)

7	7	8	8	9	10	11	23	26	26												
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CBO January 2001 inflation projections

Growth in CPI-U	2.8%	2.8%	2.6%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%									
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Estimated January '01 BA baseline for Domestic Homeland Security

2002+ are 2001 inflated by CPI-U	7	7	8	8	9	10	11	11	12	12	12	12	13	13	13	13	14	14	14		
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Estimated January '01 outlay baseline for Domestic Homeland Security

Assumes 35%/35%/12%/10%/4% spendout rate	8	9	10	10	11	11	12	12	12	12	13	13	13	13	13	13	13	14	14	14	
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35%	35%	12%	10%	8%																	
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C. NSD Baseline Outlays

Domestic Spending Baseline	322	346	364	374	383	392	401	410	420	430	441										
minus Homeland Security Baseline	-10	-10	-11	-11	-12	-12	-12	-13	-13	-13	-14										
Baseline NSD Outlays	312	335	353	363	371	380	389	397	407	416	427	439	450	462							

Note:assumes constant growth after 2011

D. Defense, HS, Int'l baseline outlays

Total Discretionary outlays	646	682	710	730	750	766	782	804	824	845	866										
minus NSD outlays	-312	-335	-353	-363	-371	-380	-389	-397	-407	-416	-427										
Baseline Defense, HS, Int'l discretionary outlays	334	347	357	367	379	386	393	407	417	429	439	449	459	470							

Note:assumes constant growth after 2011

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2005-2014</u>
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II. 2004 Baseline

A. Actual CBO 2004 baseline level of discretionary outlays

Total Discretionary Outlays	545	533	547	552	572	615	649	734	826	896	936	955	972	998	1,021	1,045	1,075	1,091	1,122	1,149
Defense	274	266	272	270	275	295	306	349	407	451	470	476	482	498	510	523	541	545	564	579
NDD	271	267	276	282	297	320	343	385	419	445	466	478	490	500	510	522	533	545	558	571
International	20	18	19	18	20	21	22	26	28	34	42	46	49	50	51	52	53	54	55	57

B. Construct Estimate Homeland Security Component (CBO provides baseline homeland security figures for 2004 and later)

Actual domestic homeland security funding (CAP estimates)

7	7	8	8	9	10	11	23	26	26											
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Construct outlay path through 2003

8	9	10	14	20	23															
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CBO January 2004 Baseline

Estimated 2004 homeland security baseline

(Our estimates up to 2003; CBO baseline 2004+)

8	9	10	14	20	23	25	27	28	29	29	30	31	31	32	33					
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C. NSD Baseline Outlays

Domestic Spending Baseline	277	299	321	359	390	411	424	432	441	450	460	470	480	491	502	514				
minus Homeland Security Baseline	-8	-9	-10	-14	-20	-23	-25	-27	-28	-29	-29	-30	-31	-31	-32	-33				
Baseline NSD Outlays	269	290	311	345	370	388	399	405	413	421	431	440	449	460	470	481				

D. Defense, HS, Int'l baseline outlays

Total Discretionary outlays	572	615	649	734	826	896	936	955	972	998	1,021	1,045	1,075	1,091	1,122	1,149				
minus NSD outlays	-269	-290	-311	-345	-370	-388	-399	-405	-413	-421	-431	-440	-449	-460	-470	-481				
Baseline Defense, HS, Int'l disc. outlays	303	325	338	390	456	509	537	550	559	577	590	605	625	631	652	668				